



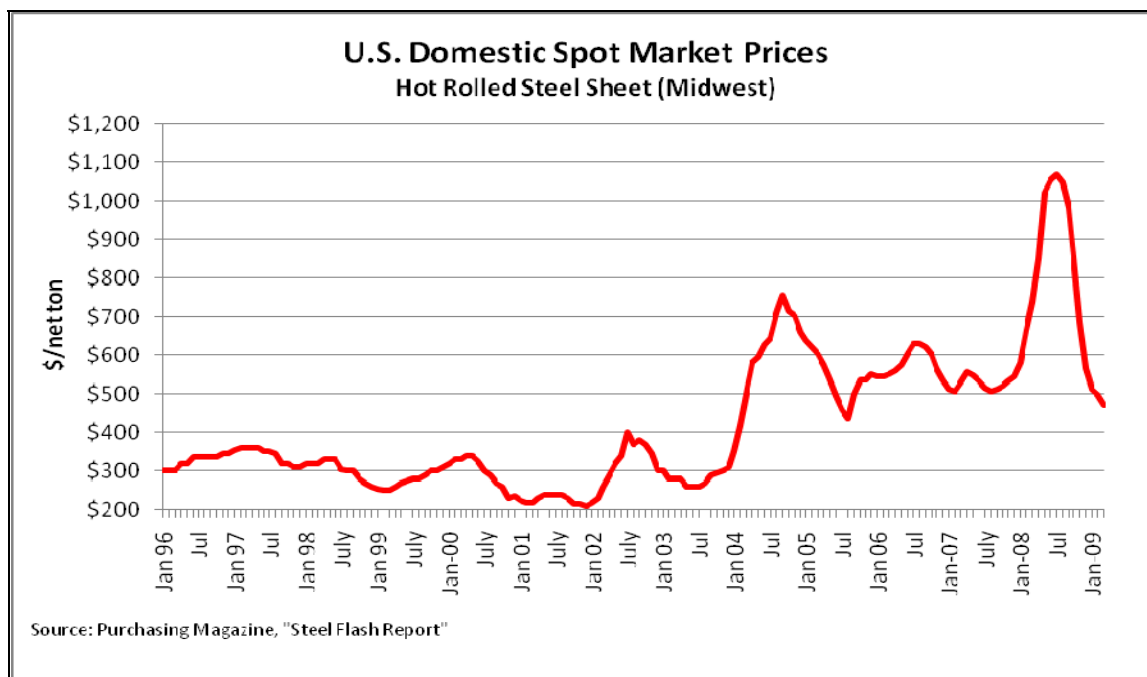
## **Steel Industry Executive Summary: April 2009**

### **Statistical Highlights**

- Recent monthly US steel import levels are well below last year's averages
- US capacity utilization is well below 50%, compared to about 90% last year
- Domestic hot rolled steel benchmark prices at lowest level since August 2005
- Import penetration highest in eight years
- Global steel production has declined monthly since May 2008
- US steel exports hit their lowest level in three years

### **Price Issues of Note** (from Purchasing Magazine)

- The decline in steel prices continued in March 2009. However, some buyers and industry analysts forecast that the pricing bottom has not yet been reached. Demand continues to remain weak, with few expectations for increasing demand in 2009. Drops in demand, combined with forecasted drops in production, had led to substantial price decreases. Analysts have pushed back estimates for a recovery in the steel industry beyond the current year.

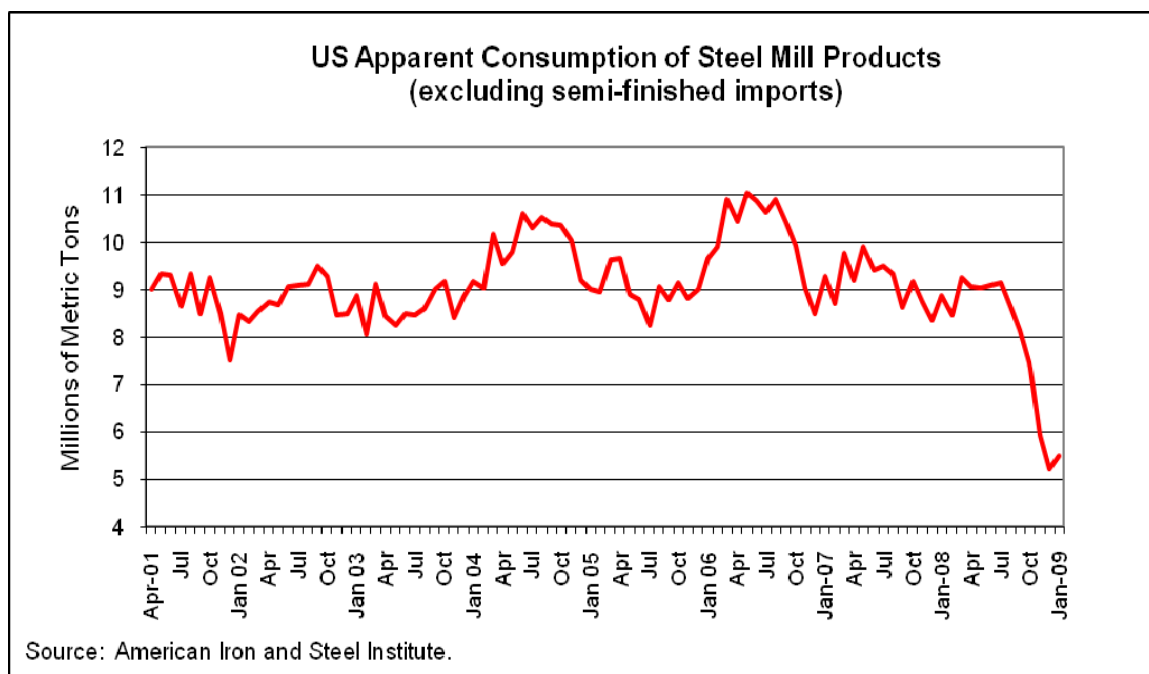


## **Prices**

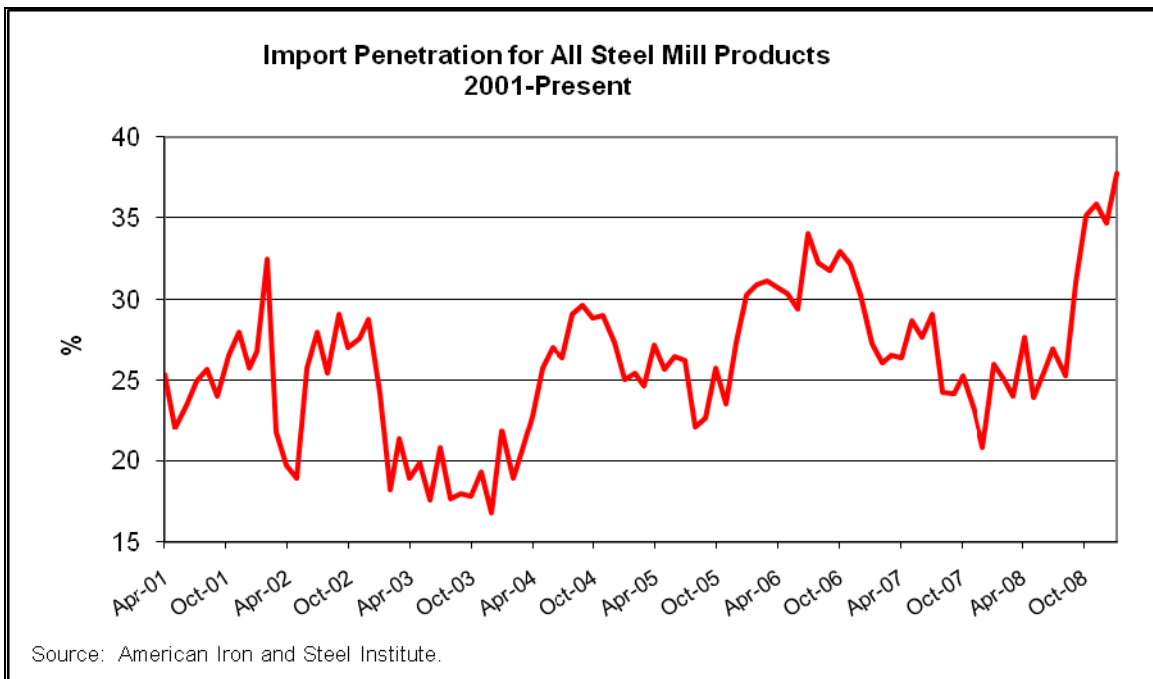
- Steel prices decreased across all product groups from February 2009 to March 2009. Hot-rolled sheet decreased 5.6% in March to \$471/net ton from \$499/net ton. This is 56% lower than July 2008. Cold-rolled sheet decreased 4.3% to \$563/net ton from \$588/net ton. Stainless sheet prices fell 1.7%. Prices were up considerably in the first half of 2008, peaking in July for the year. Steel prices across all product groups have markedly decreased over both the six month period and the previous year. Over the last six months period, the price of hot-rolled sheet decreased by 52.1%, while cold-rolled sheet decreased by 47.1%. Hot-rolled sheet prices show a 36.4% decrease since March 2008, while cold-rolled sheet prices are down 30.1% from the previous year.

## **Demand**

- Apparent consumption (used to measure domestic demand) for steel, excluding semi-finished products, increased to 5.5 million metric tons in January 2009 from 5.2 million in December 2008 (5.3%). January 2009 demand decreased 38.3% from the January 2008 level. Demand in January 2009 was 50.3% lower than May 2006 when steel demand was at its highest level in recent years.

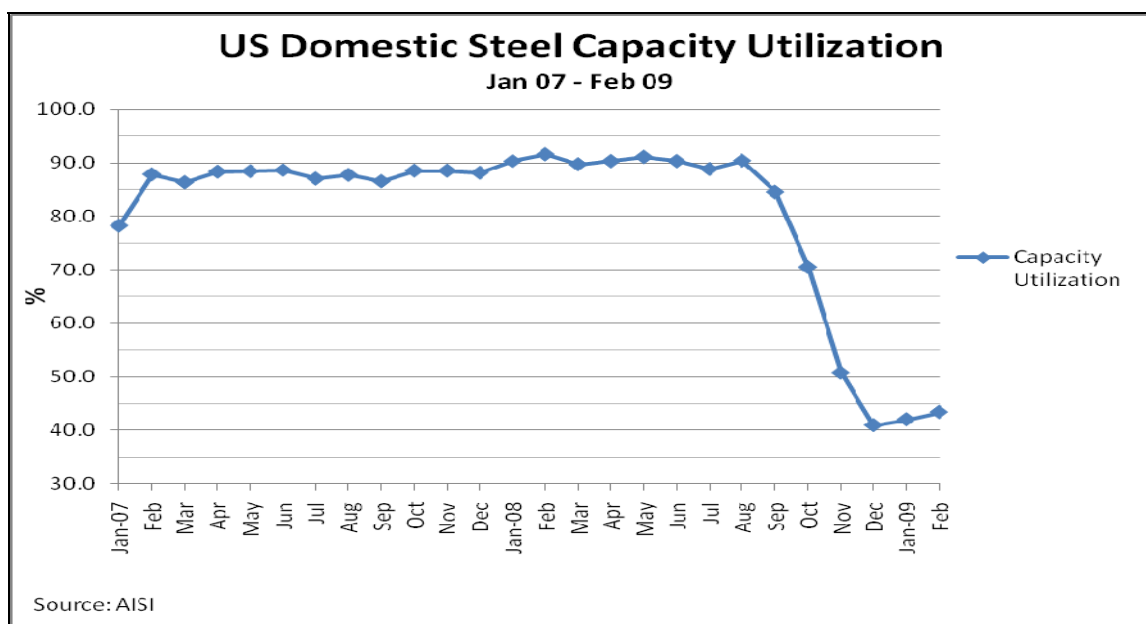


- Import penetration for all steel mill products in January 2009 was at 37.8%, its highest point in the last eight years. This new high surpasses the previous high of 35.9% in October 2008, and well above the 26.0% from January 2008.



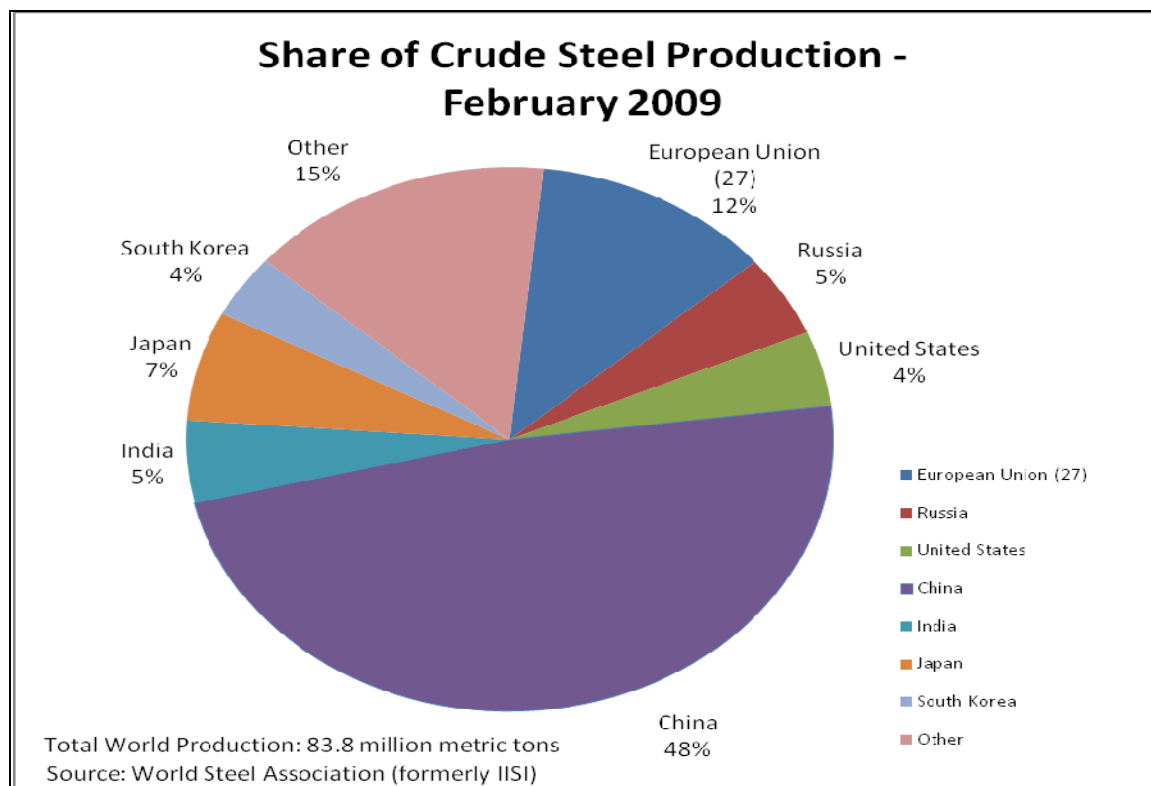
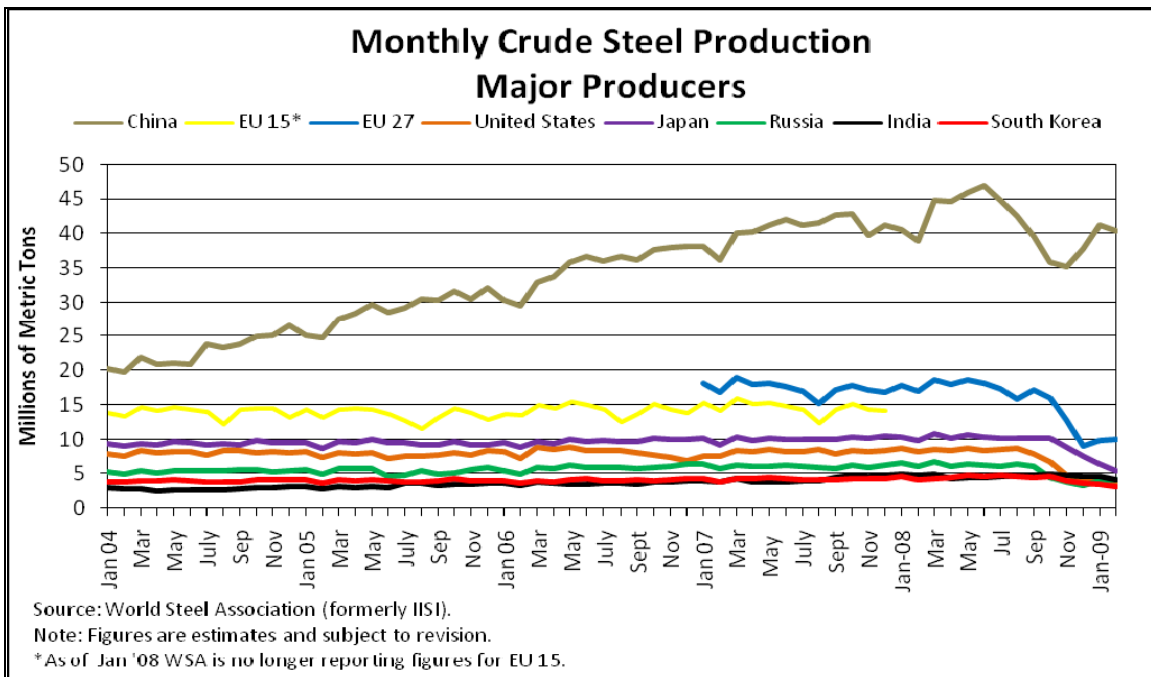
## **US Domestic Production**

- The US domestic production capacity utilization has fallen dramatically since August of 2008. The recent highest level of capacity utilization was in February 2008 with a level of 91.6%. In February 2009, capacity utilization was 43.4%, less than half of its level six months ago. Capacity utilization reached its lowest point, 40.9%, in December 2008. As January and February 2009 have increased over this low point; analysts will continue to monitor if the bottom has been reached.



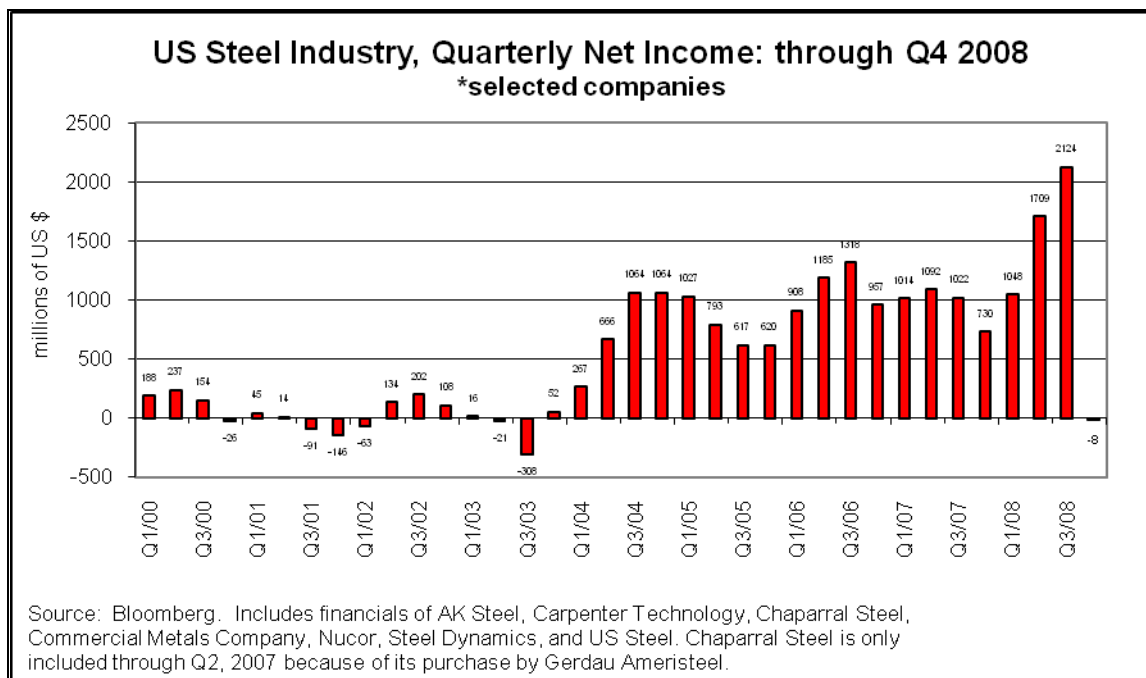
## **Global Production**

- World steel production decreased 3.0% from 86.4 million metric tons in January 2009 to 83.8 million metric tons in February 2009.
- China remains the largest steel producer worldwide with a February 2009 production level of 40.4 million metric tons, a 1.9% decrease from January 2008. The European Union 27 remains the second largest producer with a February 2009 production level of 10.1 million metric tons.
- China now accounts for nearly 50% of the monthly total world production. China's 48% share in February 2009 is larger than the combined production of the US, the EU 27, Russia, and Japan, which historically were the largest producers of steel. In 2001, China's annual share of world production stood at 17%, while the EU-15 accounted for the largest share at 18%. In eight years, China's share has almost tripled; other producers have seen their shares decrease.

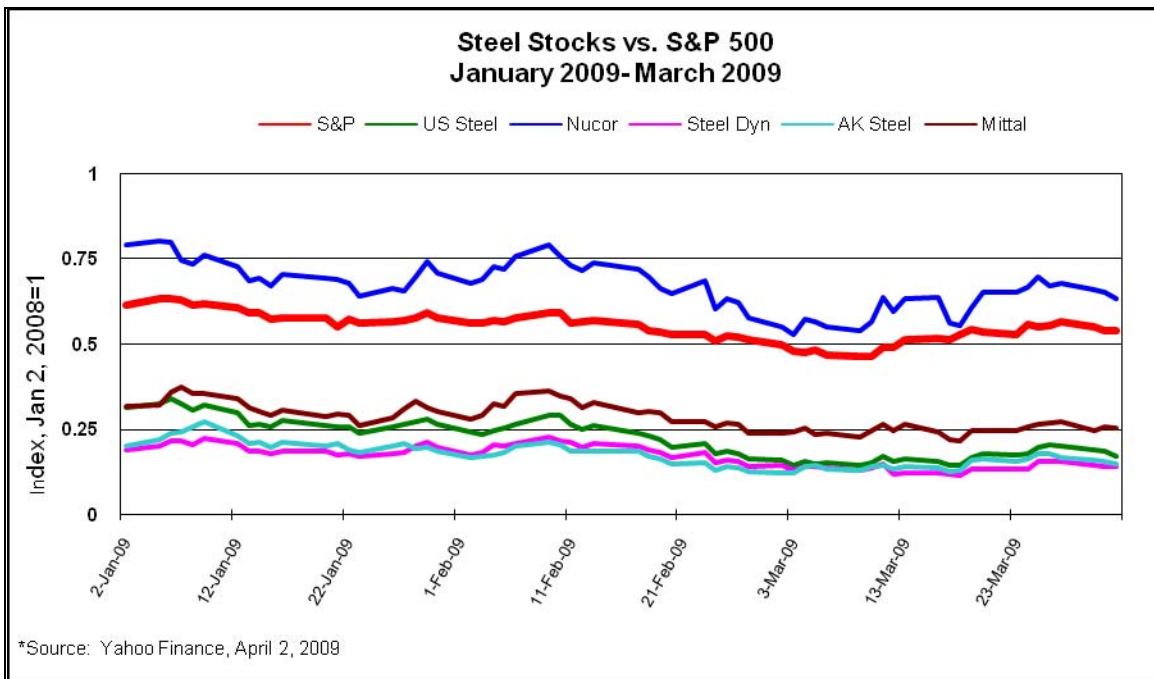
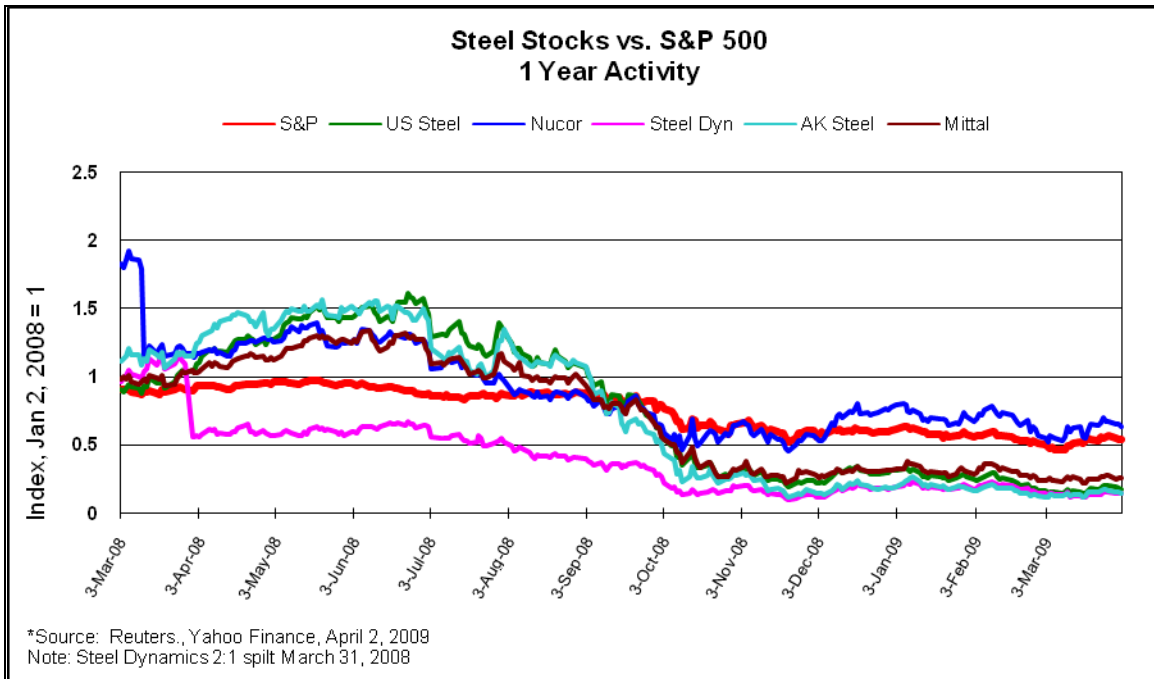


## Industry Status

- As a whole, the US steel industry posted a net loss of \$7.5 million in the 4<sup>th</sup> Quarter. According to publicly available figures, quarterly net income for AK Steel dropped significantly to a loss of \$430 million. Steel Dynamics also ended the quarter with a loss. Carpenter Technology was the chart's only company to yield a net income higher than Q3 of 2008. The net income chart now includes AK Steel, Carpenter Technology, Commercial Metals Company, Nucor, Steel Dynamics, and US Steel.

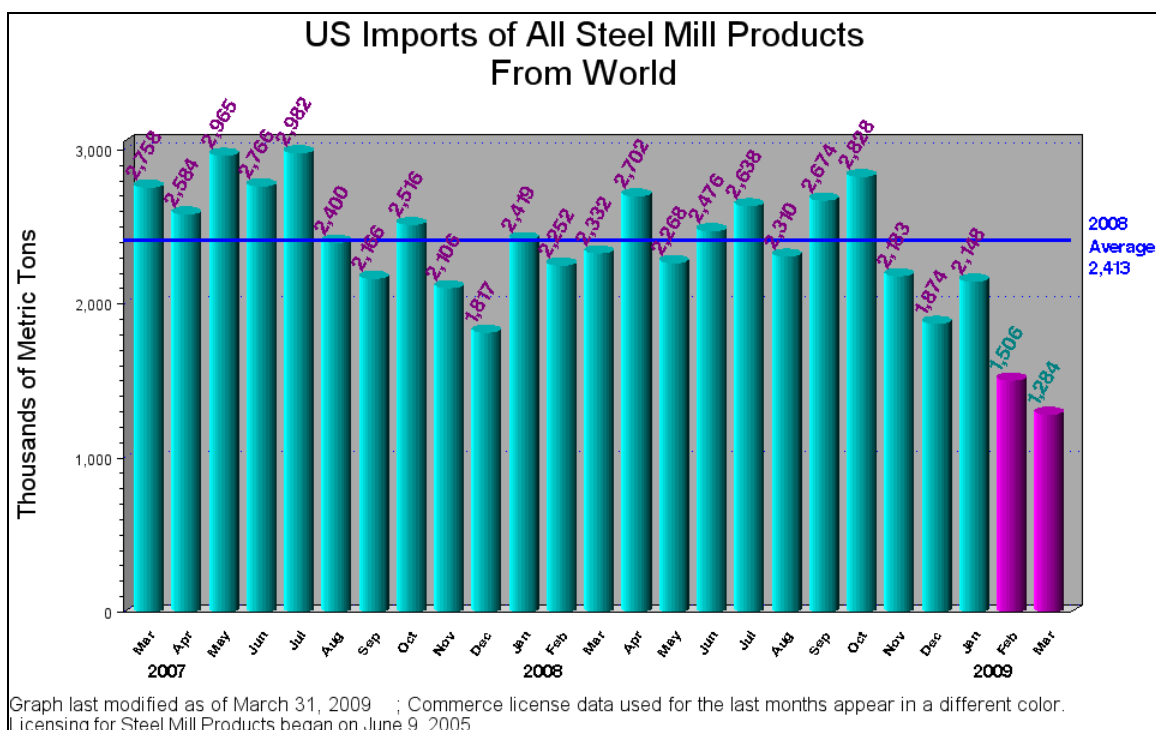


- Most steel stocks ended March 2009 slightly higher than the month's opening levels. All steel stocks, however, closed below 2009's opening level. With the exception of Nucor and Steel Dynamics, steel stocks in March 2009 dipped slightly below November 2008's lowest level. There was an increase in some steel stocks over 2008, but all have experienced significant volatility throughout 2008 and 2009. Most steel stocks outperformed the S&P 500 from early 2006 until October 2008, with a few stocks such as Nucor and Steel Dynamics dropping lower than the S&P 500 trend as early as July 2008. Since July 2008, both the steel stocks and the S&P 500 shown on the 3-month steel stocks chart have decreased overall. With few exceptions, the steel stocks have remained well below the S&P 500 trend over the past three months. Steel Dynamics split (2:1) on March 31<sup>st</sup>, 2008. The steel stocks charts now include the S&P 500, US Steel, Nucor, Steel Dynamics, AK Steel, and Mittal.



## Imports of Steel Mill Products

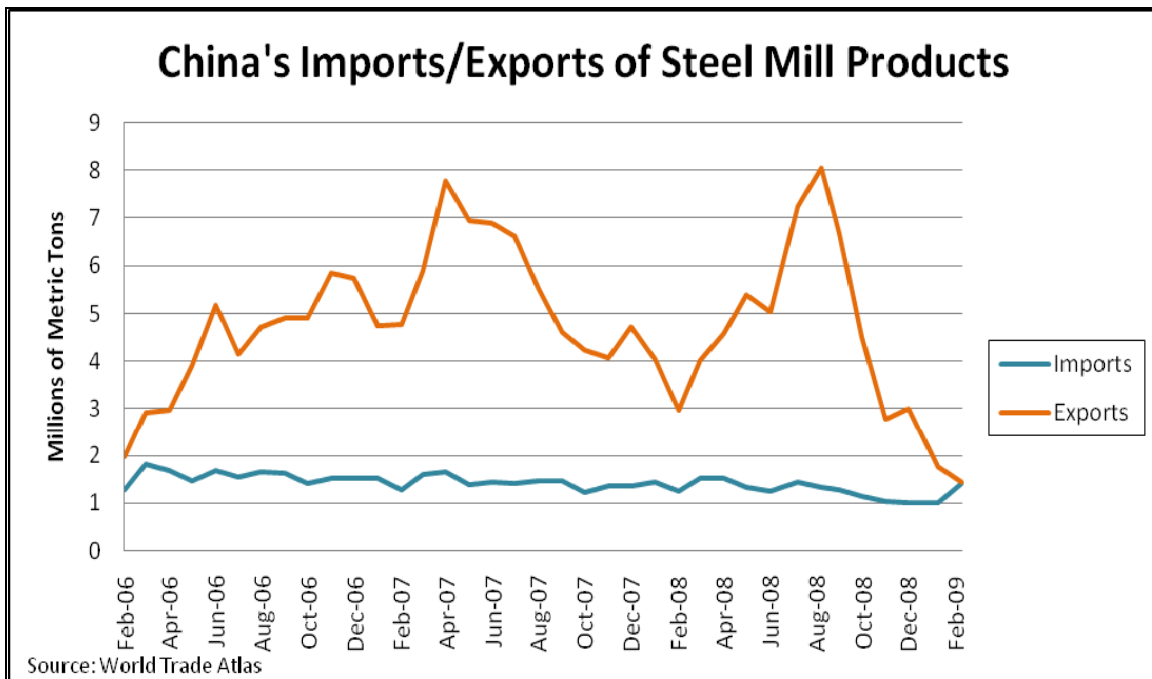
- U.S. imports of all steel mill products increased 14.6% to 2.1 million metric tons in January 2009 from December 2008, according to final January figures from the Census Bureau. Data gathered from the licensing system reflect a decrease of 30% in steel imports to 1.5 million metric tons in February 2009. February 2009 imports, according to licensing figures, are 37.6% below the 2008 average and 0.3 million metric tons less than the December 2007 low. Based on licensing data, steel imports may be 45% lower in March 2009 than in March 2008 and 53% lower than in March 2007.



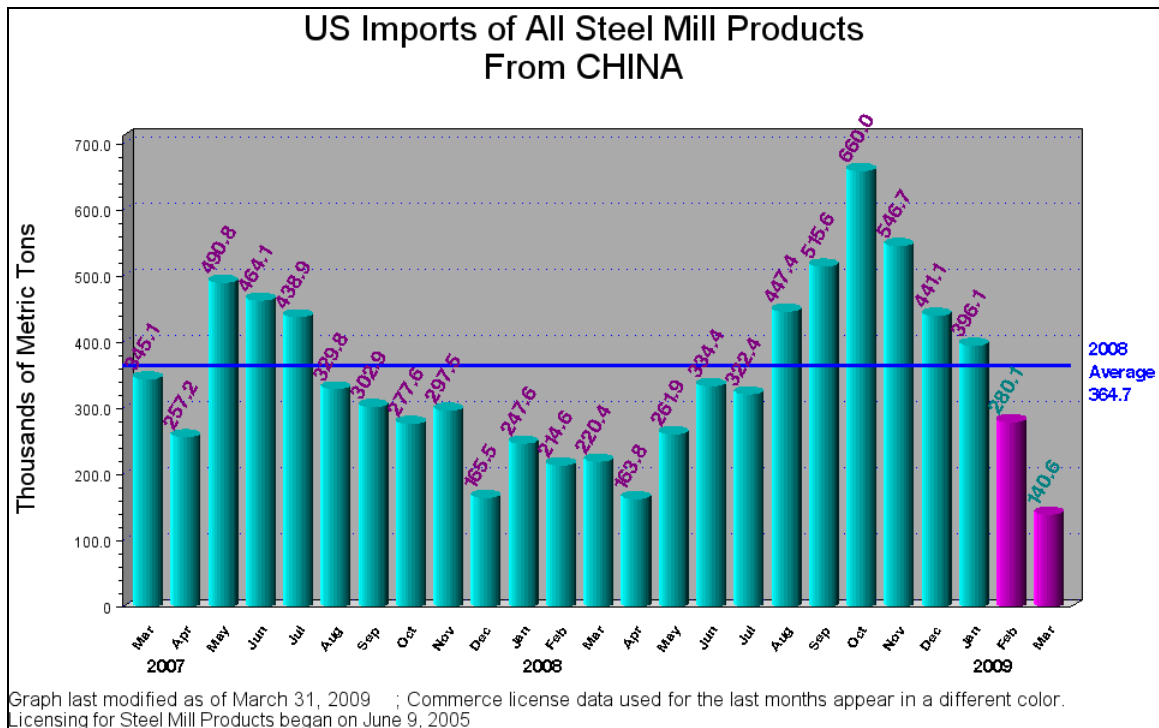
## China

- China became a net exporter of steel in 2005, and the gap between exports and imports grew steadily until April 2007, when Chinese steel exports peaked at just above 7.8 million metric tons. After falling through the remainder of 2007, China's exports began to rise again, surpassing the 2007 peak in August 2008 when exports reached 8.1 million metric tons. However, by February 2009 the gap between steel exports and imports was virtually eliminated because of the steep drop in Chinese exports. From January 2009 to February 2009, Chinese exports decreased 18.4% from 1.8 million metric tons to 1.4 million metric tons. Since the August 2008 peak, exports have decreased 82%. February 2009 steel mill exports are 51.5% lower than February 2008 exports. Chinese imports increased 40% between January 2009 and February 2009 to 1.4 million metric tons. February 2009 Chinese imports are 11.4% higher than its imports in February 2006.



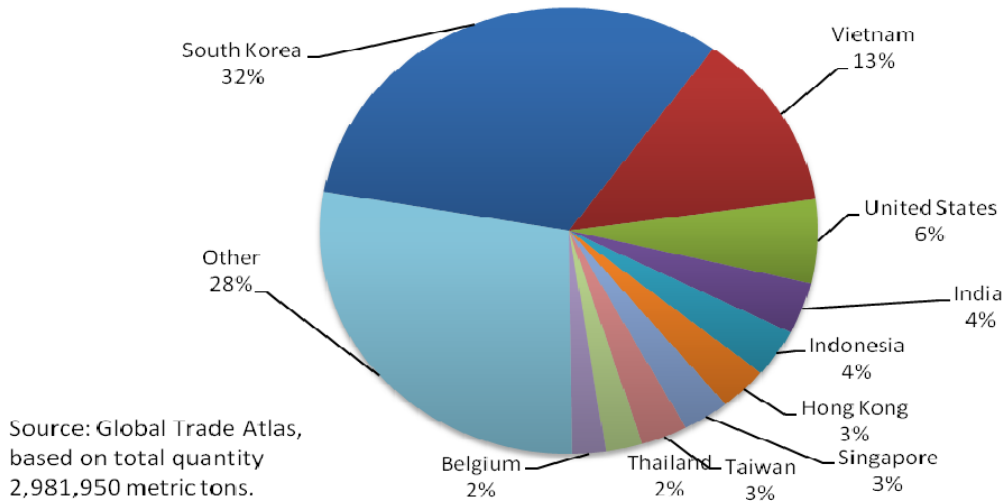


- According to the latest available data from the three NAFTA countries, China's share of imports into NAFTA increased in November 2008 to 19%, nearly twice the 10% share it was in June 2008. This market share increase comes despite a reduction in steel imports from both China and the rest of the world.
- Between May 2007 and April 2008 U.S. imports of steel mill products from China declined overall, with the exception of November 2007 and January 2008. April 2008 was a low point at 163,873 metric tons. From May through October 2008 there was a significant increase with the peak of 660,013 metric tons imported in October. In February 2009 imports were 243,428 metric tons according to preliminary Census data, a 48.6% increase from the April 2008 low. As a result of current economic conditions, imports from China declined 38.6% from January to February 2009, then another 42.2% from February to March, based on license data. According to February 2009 preliminary Census data, US imports from China represents a total of 17.3% of all US steel imports, down from 18.4% in January 2009 and 23.5% in December 2008

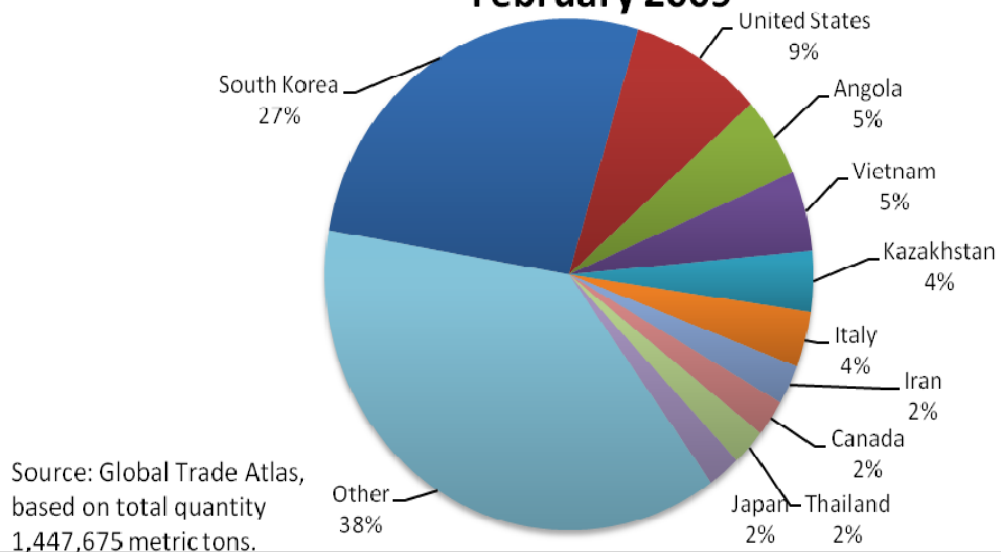


- South Korea received the largest share of exports of steel mill products from China – 26.8% in February 2009, slightly more than its share in January 2009. The United States receives the second largest share of Chinese steel exports at 8.8%, which is about 3% more than its share a year ago. The quantity of Chinese steel exports to the United States decreased 30%. China's total steel mill exports decreased by 1.5 million metric tons since February 2008.

### Chinese Exports of Steel Mill Products by Partner February 2008

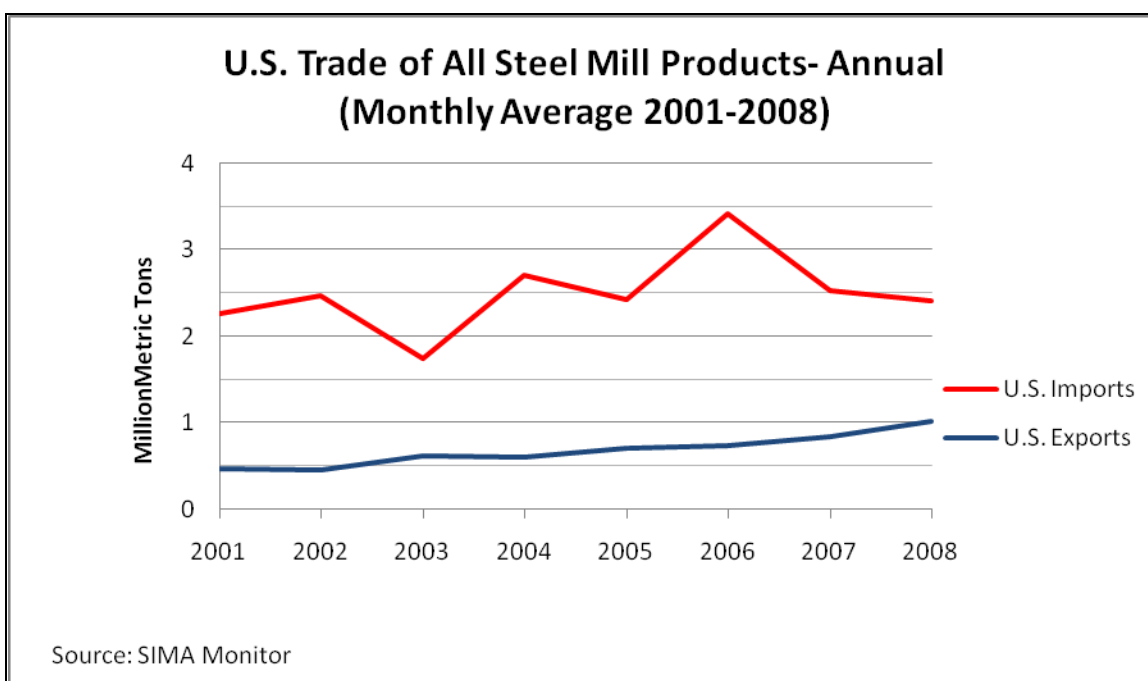
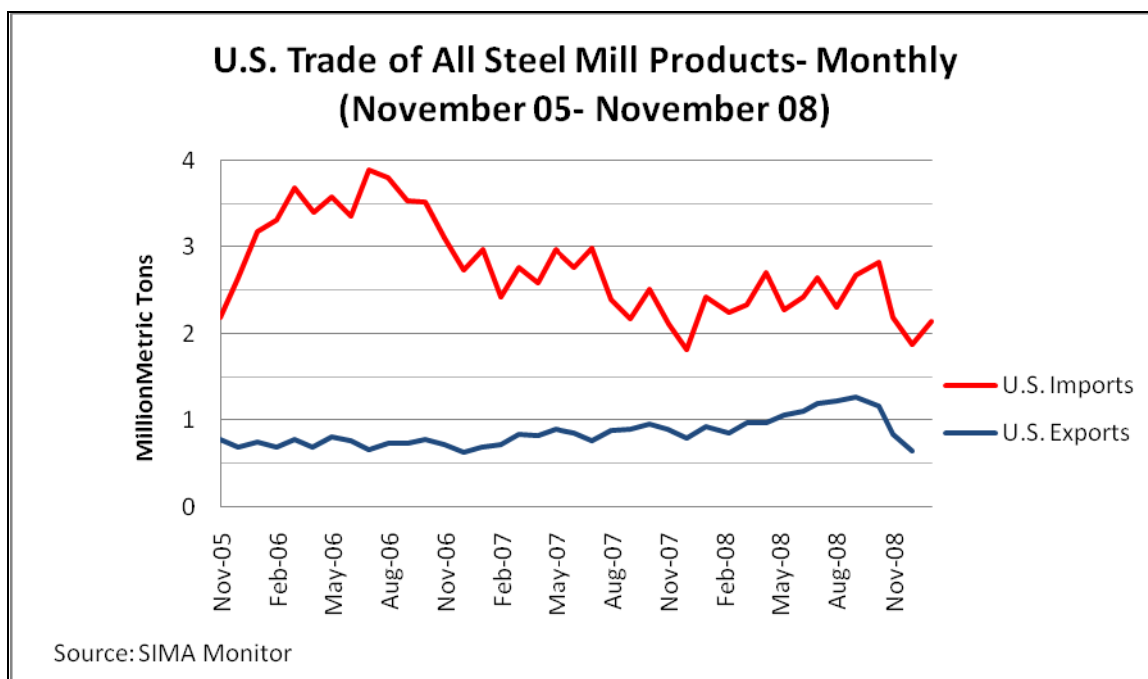


### Chinese Exports of Steel Mill Products by Partner February 2009



## **United States Trade Balance in Steel**

- U.S. imports of steel mill products have fluctuated since January 2005, while exports have remained relatively stable with a slight, gradual increase. The high point for imports occurred in July 2006 when the monthly steel trade balance was -3.2 million metric tons. In January 2009 imports increased 14.6% compared to December 2008, exports decreased 4.8% from December 2008 to the lowest level in three years.



## **Steel Import Trends by Country and Product**

- **Notable Increases**

Country	Product	Average monthly quantity January 2009 -March 2009 (metric tons)	Average monthly quantity April 2008 - December 2008 (metric tons)	Percent change from Historic to Current average quantity
FINLAND	Plates in Coils -- C & A	6,970	162	199%
TURKEY	Bars-Hot rolled -- C & A	13,420	486	660%
MEXICO	Sheets Cold Rolled -- C & A	14,212	5,088	179%
MEXICO	Sheets Hot Rolled -- C & A	26,035	9,805	165%
RUSSIA	Oil Country Goods -- C & A	11,799	5,568	111%
WORLD	Oil Country Goods -- S	10,224	6,184	65%

- **Notable Decreases**

Country	Product	Average monthly quantity January 2009 -March 2009 (metric tons)	Average monthly quantity April 2008 - December 2008 (metric tons)	Percent change from Historic to Current average quantity
AUSTRALIA	Sheets Hot Rolled -- C & A	15,789	43,369	-63%
CHINA	Line Pipe -- C & A	14,951	42,643	-64%
CANADA	Oil Country Goods -- C & A	6,187	18,401	-66%
CHINA	Sheets & Strip Galv Hot Dipped -- C & A	12,415	38,867	-68%
WORLD	Blooms, Billets and Slabs -- C & A	109,464	442,582	-75%
MEXICO	Blooms, Billets and Slabs -- C & A	17,096	95,882	-82%
CHINA	Bars-Hot rolled -- C & A	5,471	34,090	-83%
CANADA	Blooms, Billets and Slabs -- C & A	6,619	77,636	-91%
UKRAINE	All Products	9,932	118,371	-91%
UKRAINE	All Carbon & Alloy Products	9,831	117,968	-91%

SOURCE: US Department of Commerce, Import Administration, SIMA

Table last modified April 2, 2009, with Licensing data collected through March 2009 and Preliminary Census data compiled through February 2009.

A notable change is defined here by a significant decrease in the current three month average quantity over the previous nine months average quantity; the program examines the largest importers within each product group.

## **Recent News Issues**

- **China Increases Export VAT Rebate** – The Government of China announced increased rebates on its export value-added tax for several products including steel beginning 01 April. The VAT rebate for steel products, including welded steel pipes, was increased to 13%. The rebate program is in part an effort to expand exports as a result of the shrinking global economy. (*Interfax, 27 Mar 09*)
- **India Considers Anti-dumping Duties on Stainless Steel** – India's Ministry of Commerce and Industry has recommended applying anti-dumping duties on cold-rolled stainless steel from eight countries, including the United States and China. The recommended duties on cold-rolled products come after an imposition of similar duties on hot-rolled stainless steel products in 2008. (*Economic Times [India], 31 Mar 09*)

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